

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

In re:	)	
	)	Chapter 11
KNIGHT-CELOTEX, LLC,	)	
	)	Case Nos. 09-12200
In re:	)	Case Nos. 09-12219
	)	
KNIGHT INDUSTRIES I LLC,	)	Judge Hollis
	)	
debtors/debtors-in-possession.	)	

**NOTICE OF MOTION**

TO: ATTACHED SERVICE LIST:

PLEASE TAKE NOTICE that on the 21<sup>st</sup> of May, 2009 at 10:00 a.m. or as soon thereafter as counsel can be heard, I shall appear before the Honorable Pamela S. Hollis, Bankruptcy Judge, in the room usually occupied by her as courtroom 644 in the United States Bankruptcy Court in the Everett McKinley Dirksen Federal Building, 219 South Dearborn Street, Chicago, Illinois, or before any other Judge who may be sitting in her place and stead and shall present the **Motion To Retain Investment Banker and for Other Relief**, a copy of which is attached hereto and herewith served upon you, and shall pray for the entry of an Order in compliance therewith.

AT WHICH TIME and place you may appear if you so see fit.

/s/Scott R. Clar  
Crane, Heyman, Simon, Welch & Clar  
135 S. LaSalle St., Suite 3705  
Chicago, Illinois 60603  
(312) 641-6777

**CERTIFICATE OF SERVICE**

The undersigned, being first duly sworn on oath deposes and states that he caused a copy of the foregoing Notice and attached Motion to be served upon and on all parties via telecopy/first class mail, postage prepaid, on this 15th day of May, 2009 before the hour of 5:00 p.m.

/s/Scott R. Clar

**SERVICE LIST**

United States Trustee  
219 S. Dearborn St., #873  
Chicago, IL 60604  
**VIA TELECOPY** - (312) 886-5790

Michael Molinaro, Esq.  
John F. Hiltz, Esq.  
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101 Federal Street  
Boston, MA 02110  
**VIA TELECOPY** - (617) 542-6506

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KNIGHT INDUSTRIES I, LLC,	)	
	)	Judge Hollis
Debtors/Debtors-in-Possession.	)	

**MOTION TO RETAIN INVESTMENT  
BANKER AND FOR RELATED RELIEF**

KNIGHT-CELOTEX, LLC ("Celotex") and KNIGHT INDUSTRIES I, LLC ("Knight"), Debtors/Debtors in Possession herein, by and through their Attorneys, make their Motion Pursuant to Section 327 of the Bankruptcy Code to Retain Kaufman & Company ("Kaufman") as their Investment Banker and for Related Relief; and in support thereof, state as follows:

**Introduction**

1. On April 6, 2009, the Debtors filed their voluntary petitions for relief under Chapter 11 of the Bankruptcy Code.
2. Celotex is the wholly owned subsidiary of Knight. On April 2, 2009, this Court entered an Order authorizing the joint administration of these Chapter 11 cases.
3. The Debtors are operating their businesses and managing their financial affairs as Debtors-in-Possession. No trustee, examiner or committee of unsecured creditors has been appointed to serve in these reorganization cases.

4. This Court has jurisdiction over this matter pursuant to 28 U.S.C. Sections 157(a) and 1334.

5. Venue is proper in this Court pursuant to 28 U.S.C. Section 1409(a).

6. This matter constitutes a “core” proceeding within the meaning of 28 U.S.C. Section 157(b)(2)(A) and (0).

7. By this Motion, the Debtors request that this Court enter an Order authorizing the retention of Kaufman as Debtors’ investment banker and granting certain related relief.

8. The statutory predicate for the relief requested in this Motion is Section 327 of the Bankruptcy Code.

#### **Relevant Factual Background**

9. Celotex is an Illinois corporation engaged in the sale and manufacture of fiberboard. Knight is a holding company which provides administrative services, including human resources and financial management to Celotex. Celotex and Knight are headquartered at One Northfield Plaza, Suite 400, Northfield, Illinois. Knight also operates manufacturing facilities in Maine, Louisiana, Pennsylvania and Virginia.

10. Bank of America (“Bank”) is the Debtors’ primary secured creditor. The Bank asserts liens and security interests in virtually all of the property of the Debtors in order to secure an indebtedness owed from the Debtors in the principal aggregate amount of approximately \$35,000,000. The Debtors attempted to comply with the terms and conditions of numerous amendments to and renewals of the lending relationship with the Bank. However, the terms and conditions requested by the Bank immediately prior to the

filing of these Chapter 11 cases were not acceptable to the Debtors from the standpoint of maintaining normal business operations.

11. As of the commencement of these Chapter 11 cases, the Debtors had approximately \$357,172.00 in cash (which does not include the amount of approximately \$600,000.00 set off by the Bank on the date of the filing of these Chapter 11 cases) and accounts receivable of approximately \$5,160,000. Celotex also has inventory valued at \$7,235,135 at cost and machinery and equipment valued approximately at \$1,500,000. In addition, real estate in Lisbon Falls, Maine; Marrero, Louisiana; Danville, Virginia; and Sunbury, Pennsylvania owned by companies related to the Debtors also serves as collateral for the Bank's debt. The Debtors had approximately \$79,000,000.00 in sales in 2008 and approximately \$9,000,000.00 in sales as of the filing of these Chapter 11 cases.

12. On April 8, 2009, and April 23, 2009, this Court entered Interim Orders authorizing the Debtors' use of cash and cash equivalents that allegedly serve as collateral to the Bank. A continued hearing on the Debtors' continued use of cash collateral is scheduled before this Court on June 4, 2009, at 10:30 a.m.

#### **Retention of Investment Banker**

13. The Debtors desire to retain Kaufman as their investment banker in these Chapter 11 cases. Kaufman will assist the Debtors in the formulation and implementation of an exit strategy from these Chapter 11 cases as well as with their overall reorganization efforts and other related matters. Attached to this Motion as **Exhibit A** is the engagement

letter between the Debtors and Kaufman. This engagement letter more completely details the consulting services to be rendered on behalf of the Debtors by Kaufman.

14. Kaufman is “disinterested” as that term is defined in Sections 101(14) and 327 of the Bankruptcy Code and holds no interest adverse to the Debtors, their creditors or these estates. Attached to this Motion as **Exhibit B** is the Affidavit of Sumner Kaufman of Kaufman.

15. The Debtors request that this Court authorize them to pay a monthly advisory fee to Kaufman in the amount of \$10,000.00 per month for six (6) months as set forth in Kaufman’s engagement letter. Furthermore, the Debtors request that this Court also approve the payment of the transaction fee as detailed in Kaufman’s engagement letter. Payment of the advisory and transaction fees will facilitate the efforts of Kaufman as Debtors’ investment banker. All fees and expenses of Kaufman shall be subject to the prior approval of this Court after notice and a hearing.

### **Conclusion**

16. The retention of Kaufman by the Debtors as their investment banker in these Chapter 11 cases under the terms and conditions of Kaufman’s engagement letter is in the best interests of the Debtors, their creditors and their bankruptcy estates.

17. The Debtors request that further notice of any hearing on the payment of the advisory and transaction fees to Kaufman be waived.

18. For the reasons set forth herein, this Court should grant the relief requested in this Motion.



WHEREFORE, KNIGHT-CELOTEX, LLC and KNIGHT INDUSTRIES I, LLC, Debtors and Debtors-in-Possession herein, pray for the entry of an Order as follows:

- A) Authorizing the Debtors to retain Kaufman as investment banker upon the terms and conditions set forth in Kaufman's engagement letter with compensation subject to the further Order of this Court;
- B) Approving the payment of the advisory and transaction fees to Kaufman;
- C) Waiving any further notice of a hearing on the payment of the advisory and transaction fees to Kaufman; and
- D) Granting such other relief as maybe just and appropriate.

Respectfully submitted,

Debtors and Debtors-in-Possession

By: /s/Scott R. Clar  
One of its attorneys

**DEBTOR'S COUNSEL:**

Scott R. Clar, Esq.  
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